

**Statement of the Honorable Dana Rohrabacher  
Chairman, Oversight & Investigations Subcommittee  
Offshore Banking, Corruption, and the War on  
Terrorism  
March 29, 2006**

We are convening this hearing of the Oversight & Investigations Subcommittee to discuss the role of banking institutions and their connection to corruption and the war on terrorism.

We have all heard of the existence of banks operating in Switzerland and the Caribbean that cater to companies and people seeking to avoid taxes. Yet, this same system also makes it possible for drug lords and even terrorists to thrive.

This subcommittee's recent investigation into the United Nations showed how one corrupt procurement officer, Alexander Yakovlev, was able to hide at least \$1 million in an offshore bank in Antigua.

Mr. Yakovlev was not alone, however. According to the Bank for International Settlements, which is essentially the Central Bank of Central Banks from all over the world, it is estimated that in 2004 there was some \$2.7 TRILLION in offshore accounts – that's TRILLION, not Billion.

While I would like to believe that this money largely comprises funds from tax cheats, it seems more logical to believe that as Raymond Baker and Jennifer Nordin wrote in the *Financial Times* last October, "It is virtually impossible to do business using tax havens, secrecy

jurisdictions, abuse transfer pricing, anonymous entities and secret accounts without breaking laws and perpetrating injustices in many countries.”

Offshore banking involves methods by which money can be purposely hidden and transferred and then, as has long been the case, used for illegal and even violent purposes. Not only people and companies use these institutions to obtain safe haven for their assets, but countries – even countries under US sanctions -- use these banking institutions as well for purposes of sanctions evasion.

In this first hearing on the corrosive nature of offshore banking, we want to not only learn how these banks operate and how the bad guys get away with these transactions, but also how these institutions work against United States by aiding countries that oppose us.

In this instance, I want to briefly discuss the role of the Swiss Bank, UBS or the United Bank of Switzerland. Swiss banks have long been known for their bank secrecy. More recently, however, what comes to mind when one discusses the Swiss banks corruption and duplicity. When I speak of this, I speak of their role in withholding the assets of Holocaust victims and their heirs for over half-a-century. UBS was one of the Swiss banks that settled a class-action lawsuit against Swiss banks with the survivors for \$1.25 billion in 1998.

Since this time, we have heard other stories of UBS’ malfeasance including US regulatory fines, lawsuits, and other accusations of impropriety including the fact that UBS once held an account for Osama Bin Laden.

But what concerns us greatly is the role UBS played in not only supplying US dollar banknotes to Iran several years ago as part of the Extended Custodial Inventory program or ECI program, but also their reasons for doing so. The ECI program serves as a means to facilitate the international distribution of U.S. banknotes and the return of old design banknotes and to strengthen U.S. information gathering on the use of U.S. currency and sources of counterfeiting of U.S. currency abroad.

According to UBS, over \$440 million in US banknotes was supplied to Iran during the 1990s and beyond through the ECI program in contravention of US sanctions on Iran.

What concerns us is the motivation for supplying this money against the directions of the ECI program. Was UBS worrying about other business that it had with Iran and did those in the bank think that supplying these banknotes would help that business?

Iran at that time was facing a credit crunch by the US as we attempted to prevent international investment in Iran's energy sector. If the US was trying to restrict Iran's flow of income, but UBS was working to supplement it through loans and credit, then it seems to me that the bank which has a substantial presence here in the US was working directly against the interests of the country that acted as one of its most important sources of business.

To make matters worse, UBS then transferred US banknotes to Iran in violation of the very program they were entrusted to run. I should state that UBS was indeed fined \$100 million by the US government for these

violations. We are however interested in learning of the banks' role in opposing US efforts to restrict Iran's flow of income and why they took the extraordinary effort to illicitly transfer banknotes to that country.

Today we have a number of prominent practitioners in the field of anti-corruption who deal with banking institutions around the world and they will discuss not only the UBS problem, but how banks do business in hiding the wealth of dictators, drug dealers and others threatening the financial well-being of our country and others through this corruption. When dictators like Mobutu, Duvalier, Abacha, and others raid the wealth of their countries and hide it in these banks, the banks then treat the money like it belongs to them, not the people the dictator stole it from. These practices must end

I now turn to my friend the Ranking Member, Mr. Delahunt to make his statement.